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SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415

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APPLICATION OF SOUTHWESTERN  
ELECTRIC POWER COMPANY FOR  
AUTHORITY TO CHANGE RATES

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BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF  
PUBLIC UTILITY COUNSEL'S ELEVENTH REQUEST FOR INFORMATION**

**APRIL 30, 2021**

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**Question No. OPUC 11-1:**

Please refer to SWEPCO's Response to OPUC RFI No. 1-15, Attachment 5. Regarding the annual incentive compensation paid to union employees, please confirm or deny that union employees must receive annual incentive compensation regardless of whether the Company meets the required performance for the "trigger." If confirm, provide an explanation and the citation in the union contract that requires such a payment regardless of Company performance.

**Response No. OPUC 11-1:**

Deny. Union represented employees participate in the same annual incentive program as other employees. However, collectively bargained annual incentive compensation is "presumed to be reasonable" as provided in PURA, Sec. 14.006. *Interference With Terms Of Conditions Of Employment; Presumption Of Reasonableness.*

The commission may not interfere with employee wages and benefits, working conditions, or other terms or conditions of employment that are the product of a collective bargaining agreement recognized under federal law. An employee wage rate or benefit that is the product of the collective bargaining is presumed to be reasonable.

Prepared By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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**Question No. OPUC 11-2:**

Please refer to SWEPCO's Response to OPUC RFI No. 1-15, Attachment 2. Please provide a detailed explanation for the adjustment calculated on the Tab "Manuals." In addition, please identify the months for which these amounts were originally booked.

**Response No. OPUC 11-2:**

The Company's incentive compensation is normally recorded through loadings on labor during our payroll cycle every two weeks. On quarter ends, the Company occasionally records manual entries to adjust our incentive compensation accruals. These manual entries reverse in the following period and get loaded through the normal payroll process. These manual entries are represented on the Manuals tab referenced in OPUC RFI No. 1-15, Attachment 2. The amounts were originally booked in March 2020. As these manual entries are an adjustment to our incentive compensation expense, the Company normalizes these manual entries so that the requested amount of incentive compensation represents a target level, excluding financial measures.

Prepared By: Brian J. Frantz

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**Question No. OPUC 11-3:**

Please refer to SWEPCO's Response to OPUC RFI No. 9-2. Please provide an explanation for the differences in the depreciation rates included on Attachment 1 to the response and those included in the Rate Filing Package on Schedule D-4 as the current test year depreciation rates for Dolet Hills.

**Response No. OPUC 11-3:**

The rates in the OPUC 9-2 Attachment 1 response were the SWEPCO Composite depreciation rates for Dolet Hills rates. The Schedule D-4 Test year rates are Texas only Rates.

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

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Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

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**Question No. OPUC 11-4:**

Please refer to SWEPCO's Response to OPUC RFI No. 9-2. Please confirm or deny that the activities in Account 1080161 are in addition to the depreciation expense that was booked based on the approved depreciation rates for Dolet Hills. If deny, provide an explanation.

**Response No. OPUC 11-4:**

Yes, account 1080161 is the contra to the GAAP depreciation included in 1080001. As required by GAAP, SWEPCO is depreciating Dolet Hills over its useful life through 2021 which increases accumulated depreciation in Account 1080001 for SEC financial reporting. Because SWEPCO has not received Commission approval for these accelerated depreciation rates, it records an off-setting entry to Account 1080161. Thus, when you combine the balances in these Accounts the result is an accumulated depreciation based on overall SWEPCO Commission approved rates.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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**Question No. OPUC 11-5:**

Please refer to SWEPCO's Response to OPUC RFI No. 9-1. Please provide a detailed description of the Company's plans regarding the land related to the Dolet Hills generation site.

**Response No. OPUC 11-5:**

The Company has no plans at this time for the land related to the Dolet Hills generation site. In addition, the Dolet Hills plant is a jointly owned facility and any action regarding the existing land would require approval from its owners.

Prepared By: Monte A. McMahon

Title: VP Generating Assets SWEPCO

Sponsored By: Monte A. McMahon

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**Question No. OPUC 11-6:**

Please refer to SWEPCO's Response to Commission Staff RFI No. 12-2. Please provide the total percentage of target that will be awarded for the Company's 2020 performance. Please include documentation demonstrating the achievements for the earnings per share and other operating requirements.

**Response No. OPUC 11-6:**

The total funding and amount awarded for 2020 annual incentive compensation was 156.9% of target for AEP overall. Please see OPUC 11-6 Attachment 1 for documentation of this score.

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**Question No. OPUC 11-7:**

Please refer to SWEPCO's Response to OPUC RFI No. 1-19. Please provide the same information requested in OPUC RFI Nos. 1-19 and 1-20 after the 2020 annual incentive compensation awards have been paid.

**Response No. OPUC 11-7:**

Please see OPUC 11-7 HIGHLY SENSITIVE Attachment 1 for the requested information.

The attachment responsive to this request is HIGHLY SENSITIVE MATERIAL under the terms of the Protective Order. Due to current restrictions associated with COVID-19, this information is being provided electronically and a secure login to access the information will be provided upon request to individuals who have signed the Protective Order Certification

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**Question No. OPUC 11-8:**

Please refer to SWEPCO's Response to Commission Staff RFI No. 5-26. Please provide a detailed description of the adjustment made by SWEPCO to remove all capitalized incentive compensation that was awarded based on financial performance measures, except for the \$42,039. Please provide the schedule or workpapers that reflects the adjustment for capitalized incentives in this application.

**Response No. OPUC 11-8:**

The information referenced in OPUC's request for information relates to Staff's RFI No. 5-36 as opposed to question 5-26 noted in this question. The Company's response is correlated to its response to Staff 5-36. Incentive amounts are capitalized as a part of the Company's payroll loadings. These loadings are recorded as activity on projects in CWIP and RWIP (FERC accounts 107 and 108) with the CWIP component being recorded to Plant in Service (FERC account 101 - after unitization or 106 prior to unitization). During the unitization process, the original source is not retained and therefore, it is not possible to determine the amount of incentives in Plant in Service. The monthly adjustment recorded to remove the financial based capitalized incentive compensation is calculated based on activity recorded to FERC accounts 107 and 108. On a monthly basis, the activity recorded to FERC accounts 107 and 108 with the cost components used for recording incentive compensation are gathered. A factor equal to the financial performance measures plus one half of the funding measure for each plan are applied to the 107 and 108 amounts. The resulting amounts are recorded as credits to FERC account 116 to reduce Plant-In - Service. This reduction to Plant-In-Service is shown on Schedule B-1.5 lines 18 and 19.

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